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Chair

The Honourable Wayne Easter

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● (0850)

[*English*]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): We'll ask people to come to order.

As we all know, we're doing our series of consultations in advance of budget 2019.

Welcome to the witnesses, and thanks to all those who sent in submissions to the clerk's office prior to August 15. We have all those. I think we had some 524 submissions, but they were well put together and pretty brief, so they're easy for us to go through.

We'll start with the Canadian Horticultural Council and Rebecca Lee, Executive Director.

Rebecca, welcome.

Dr. Rebecca Lee (Executive Director, Canadian Horticultural Council): Honourable Chair and committee members, good morning. Thank you for the opportunity to appear today.

The Canadian Horticultural Council represents fruit and vegetable farmers across Canada, who grow over 120 different types of crops, with farm cash receipts of $5.4 billion in 2017, the foundation for an estimated produce value chain of $13.9 billion of real GDP and over 181,000 Canadian jobs.

Today, I want to highlight a few examples of how investment and support through budget 2019 would directly feed into our sector's ability to innovate and remain competitive while supporting the federal government's goals.

The first example relates to the importance of regulatory resources. Our farmers rely on government agencies, regulations and programs as they navigate the complex, evolving and increasingly costly food system. The decisions of the Pest Management Regulatory Agency directly impact the tools farmers have to protect their crops from pest damage, minimize food waste and maintain quality standards. Despite efforts to improve their stakeholder consultation process, PMRA is hindered by a lack of resources and scientific data as they try to meet their mandate of regulating pesticides. PMRA re-evaluations review individual active ingredients without further analysis of the big-picture impacts. Pest outbreaks require a full tool box, but growers are being asked to do more with less, as numerous crop protection products are being cancelled without new, effective alternatives entering the regulatory pipeline.

Other agencies are seeing a growing role in the success of Canadian horticulture. PMC's role in the regulatory approvals required for new pest control products, especially minor-use pesticides, and its pesticide risk reduction program are expanding. CFIA is leading the implementation of the 2017 approved plant and animal health strategy, including the plant health network and the Canadian plant health council. Adequate funding is needed for CFIA to be able to fulfill its critical role to reduce the risk of invasive species, adapt to climate change implications, regulate pests and diseases, gain access to new export markets and provide technical expertise to address non-tariff barriers.

CHC urges this committee to support increased funding in budget 2019 for government agencies such as the Pest Management Regulatory Agency, the Canadian Food Inspection Agency and the Pest Management Centre. They are critical to farmers' productivity, innovation and competitiveness.

The second example is the critical need for farm labour. Specifically, without efficient and timely access to an adequate workforce, it becomes impossible to grow and harvest perishable fruit and vegetable crops. The crops will simply rot in the field or greenhouse, on the tree or on the vine. Despite ongoing and rigorous recruitment, farmers are unable to find Canadian workers and must rely on the seasonal agricultural worker program or the agricultural stream of the temporary foreign worker program to address their labour needs.

CHC urges the federal government to allocate funds to implement a trusted employer program to help streamline and standardize the labour market impact assessment application process. In 2018, federal funds were provided through Employment and Social Development Canada for the support of foreign workers. However, farmers are already going above and beyond the requirements for employers to contribute to their local community support network. They know the value of the workers to their livelihood.

CHC recommends that ESDC funding be added, or redirected from budget 2018 allocations, to ensure a balanced approach to employer and employee education on the rights and responsibilities of both parties to maintain a safe and productive working and living environment.

Finally, we emphasize the need for policy alignment to reach federal goals. The federal government has emphasized its goals of trade diversification and the January 2019 implementation of a federal carbon price to respond to climate change. Infrastructure support is crucial for farms to continue to expand their operations and further contribute to Canada's economy. With the current limitations, many farms are unable to take advantage of market opportunities. An example of a specific infrastructure project is the proposed national tree fruit investment program.

New market access for tomatoes and peppers to China, combined with the current cucumber access, is expected to rival greenhouse exports to the U.S., valued at nearly $1 billion in 2017. With all due respect, we wonder how the Government of Canada can ask greenhouse farmers to step up to the plate to increase exports while they are the single most disadvantaged sector domestically and internationally with respect to carbon pricing.

The agriculture exemptions provided for in the budget implementation act did not provide any relief for greenhouse farmers, who use little or no gasoline and diesel. The legislation also currently excludes farm fuel exemptions related to heating and cooling uses, which are essential for greenhouse crop production and post-harvest and storage activities across various agricultural sectors.

The best opportunity to reduce agricultural emissions and grow operations, and therefore the economy, is found where harmonized policies, stable tax regimes and business incentives exist, so farmers and government can see a return on investments in infrastructure, technology and research.

Farmers want to be part of the solution.

Thank you.

The Chair: Thank you very much, Rebecca.

From the Canadian Real Estate Association, we have Michael Bourque, Chief Executive Officer, and Mr. Cathcart, Senior Economist.

The floor is yours.

● (0855)

[*Translation*]

Mr. Michael Bourque (Chief Executive Officer, Canadian Real Estate Association): Thank you, Mr. Chair.

As you mentioned, I am accompanied by Shaun Cathcart, Senior Economist with the Canadian Real Estate Association.

[*English*]

We're pleased to be here on behalf of over 127,000 realtor members who live and work in every riding and community from coast to coast. Together, we advocate on behalf of property owners, buyers and sellers. Our objective is to present socially and fiscally responsible proposals to the government that will help Canadians.

Today, I want to focus on those who share the dream of home ownership. Unfortunately, there are many Canadians—millennials, newcomers and working families—who feel they may never have a place to call their own. This should raise alarm bells for this committee, because housing plays a critical role in the economy and provides long-term social and financial benefits to homeowners and communities.

Owning a home allows Canadians to accumulate equity for retirement and provides positive social, economic, family and civic outcomes. With the purchase of a home come pride of ownership and the sense of belonging to a community, which in turn foster participation and civic engagement.

Real estate also plays a critical role in the Canadian economy, accounting for a fifth of all GDP growth. When Canadians purchase a new house, they typically acquire new appliances or furnishings, and undertake renovations to meet family needs. In 2018, each home sale in Canada is expected to generate almost $64,000 in spinoff spending. MLS home sales and purchases in 2018 will add an estimated $29 billion in economic activity.

Given the importance of home ownership, we are recommending that budget 2019 include measures to ensure that the Canadian housing market continues to contribute to the economy and support Canadians who are trying to achieve their dream.

Home ownership remains an aim for Canadians, including millennials, who are the next generation of homebuyers. However, affordability is often out of reach, as many struggle to accumulate enough capital for a down payment. Without the financial support of family, many first-time homebuyers are unable to enter the housing market.

One support that is currently in place is the first-time homebuyers' tax credit. This program provides financial support by compensating for some of the costs associated with a home purchase. At present, the program provides $750 of financial support. We are recommending an increase to the existing tax credit to more accurately reflect the current costs facing homebuyers and provide meaningful assistance to middle-class families and millennials. This tax credit enhancement would benefit every single new homebuyer, not just a select few.

We acknowledge that there is no one simple strategy to make home ownership more accessible in some of Canada's most active markets. However, recent federal government policies and regulations have made access to housing in Canada increasingly difficult for middle-class families, and in particular millennials.

The B-20 stress test is designed to ensure that Canadians don't take on more debt than they can afford, and to safeguard the financial system as a whole. These are commendable goals, but blunt regulations are having an impact, albeit unintended, on the housing market. In superheated markets, they have had their intended effect, but in stable, balanced markets such as Calgary, Saskatoon and St. John's, the stress test has driven middle-class families further away from reaching their goal of owning a home.

A report by Mortgage Professionals Canada in July 2018 estimates that about 100,000 Canadians, 18% of buyers, have been prevented from buying their preferred home since late 2016 because of new federal mortgage rules. It is increasingly difficult for first-time homebuyers to find a home that is affordable in some parts of Canada.

We believe these regulations should be more dynamic and applied only in markets the government has identified as requiring an intervention. Going forward, the federal government must take regional differences into consideration when implementing new measures that affect homebuyers.

[*Translation*]

Thank you very much, Mr. Chair.

[*English*]

The Chair: Thank you very much, Michael.

From CMC Microsystems, we have Mr. Harling, President and CEO, and Mr. Stokes, Director.

● (0900)

[*Translation*]

Mr. Gordon Harling (President and Chief Executive Officer, CMC Microsystems): Good morning. Thank you very much for this opportunity to speak to you today.

If you have any questions, I will be pleased to answer any questions in Quebecois as well.

[*English*]

I'm Gord Harling, president of CMC. CMC was founded in 1984 as a not-for-profit by the Canadian government. At the time, it was actually to provide access to Nortel's manufacturing capability so researchers across Canada could develop their own microchips, test them, and publish papers internationally. Over time, it has evolved, and we now have three different programs—what I like to call CAD, fab and lab.

CAD is computer-aided design software, and today we serve 52 different computer-aided design packages to researchers across Canada, from Newfoundland to Vancouver Island. We simplify the access to those tools, and by bulk buying and sharing licences, we're able to deploy a vast network of software across Canada. This makes it much easier for researchers and takes away some of the barriers to innovation, because it's simpler for them to train students and carry out their research.

I'll take one example. We have a tool that would cost on the open market, commercially, $10 million a year. We have 800 copies of that licence, and on any given day about 500 researchers are using that licence. It's an $8-billion value if you do the math. Obviously, universities could never pay that, but through special arrangements with these suppliers we're able to provide that.

Once you design something, you want to fabricate it, so we have an international network of fabrication facilities. We use 20 different processes at nine different factories around the world, and this is what we build. This wafer is covered in chips. There are several billion transistors on this, and when we get the chips back, we cut them up and hand them out to the researchers. By putting multiple researchers onto the same wafer, again, we reduce costs by bulk buying and doing things they cannot do alone. We might buy $100,000 worth of "siliconaria" and share it among 10 or 20 designers, simplifying access for them and allowing them to do international-level research.

Our final area of research is the lab, where we actually develop platform technologies that researchers can use to build on. So, we'll build an amplifier that has an open face so they can put any material they like on it. They can sense bacteria, odours, the humidity, temperature, light or whatever you like. They don't need to create this. It doesn't exist in the open market, but they can modify it and use it for their own needs.

So, those are our three programs—CAD, fab, and lab. Today, we have 67 member universities. We have 730 paying members, who pay an annual subscription to access our services. They sign up their own researchers in their departments, so we have about 3,600 researchers and about 4,800 students who use these tools every day. Every year, 780 graduates come out having used the CMC tools and technologies. It's critical to their theses, their research and their ongoing publications.

We trace back the roots of 950 companies working in Canada today, companies like BlackBerry and OpenText. These are folks who were originally researchers using our services at university. Every year there are, on average, about 15 start-up companies that come out. This service is a great job creator. It's foundational to all supercluster areas. It's foundational to all strategic tables. Electronics are in every product you can possibly imagine. There are over 200 devices in your cellphone right now. Unless you have a really old lawnmower, you probably don't have an appliance that doesn't have electronics in it. So we think it's extremely important.

We make four recommendations in our paper. The first is that the government continue to invest in microelectronic, photonics and quantum technologies—all things that we enable and facilitate. The second is that they continue to fund the major research facilities and the MSI, which we call Canada's national design network.

One of the problems with these national research facilities is that we have a forty-sixty rule for funding. We have to find 60¢ of every dollar to get the 40¢ cents from the MSI funds. That is extremely difficult when you're a national organization like ours. We can't go to each province and expect all of them to pay up. There are have and have-not provinces, so we don't want to be unfair about it. It really is a federal mandate to support this research.

The Chair: Thank you, Gordon.

Next, from the Federation of Canadian Municipalities, we have Mr. Karsten, First Vice-President, and Mr. Rubinstein, Director.

Welcome.

Mr. Bill Karsten (First Vice-President, Federation of Canadian Municipalities): Thank you very much, Mr. Chair and fellow Maritimer.

It's nice to be here. I want to thank sincerely the committee for the invitation to discuss the vital role that municipalities play in the growth of Canada's economy.

As you may know, and it's probably been mentioned on several occasions to you in the past, the Federation of Canadian Municipalities, or FCM, has 2,000 members, representing 90% of Canada's population in every province and region of the country. They form the order of government closest to the people. On behalf of our membership, I am pleased to share with you today our vision, Mr. Chair, for a municipal sector with more tools than ever to help grow the Canadian economy.

Cities and communities are Canada's hubs of growth and innovation, managing two-thirds of the public infrastructure that supports our economy. By working together, our orders of government have laid down important markers over the past few years, and for that we are very grateful. The federal government is delivering robust investments in infrastructure and affordable housing, and we look forward to seeing continued support for these critical projects as we move forward.

Municipalities are using these new tools to deliver local solutions with national impact on growth, productivity and improving climate resilience. That progress simply needs to continue in budget 2019.

In 2018, and indeed for many years now, new expectations and responsibilities have been brought to our municipalities across the country. We play a leading role on issues ranging from tackling gun crime and regulating the newly legalized cannabis next month to addressing the opioid crisis and helping new Canadians thrive in their new communities.

Yet, Mr. Chair, the outdated fiscal and legislative framework in which municipalities operate has not changed since it was created.

Municipalities continue to make the most of the tools available to respond every day to national challenges. We are forced, however, to rely on a property tax never designed to support this modern reality. With access to just 10 cents of every Canadian tax dollar, local governments must prioritize efficiently—and we do. Yet, modern realities mean that municipalities will continue to rely deeply on variable investment programs from other orders of government.

Nevertheless, Mr. Chair and esteemed members of this committee, we as the municipal sector are extremely optimistic for our future. We firmly believe that budget 2019 can be the launch pad for a generational shift, a shift toward a federal-municipal government having a fully engaged partnership, a true partnership, a shift that helps the Government of Canada achieve its central objectives of boosting economic growth and productivity, fostering innovation and creating more sustainable environments for its citizens.

What is needed now, from the position of the FCM, is a clear federal commitment in budget 2019 to engage FCM and the local orders of government in a new modern and mature conversation on updating the fiscal framework to reflect the critical roles that municipalities play in solving 21st century challenges.

This conversation is long overdue but absolutely necessary to ensure that local governments have the kind of long-term, sustainable, predictable fiscal tools already available to other orders of the government. As government leaders on the front lines across Canada, we can say with confidence that partnering with municipalities ensures the most efficient and accountable response to local priorities. We have proven that to various governments over the years.

We can make our economic partnership official through regular meetings with all orders of government to discuss our shared priorities for economic growth.

● (0905)

Interestingly enough, today in Halifax, for the third consecutive year, FCM's president is leading a team of municipal leaders, including Mayor Mike Savage, at the annual meeting of federal, provincial and territorial infrastructure ministers. They provide the critical local perspective, without which, as we have seen in the past, some national projects falter.

Whether through formalized FPT-plus municipal format or a new forum featuring orders of government as full partners, municipal governments are ready to bring to the table our knowledge and experience of delivering to Canadian people to ensure that Canada's economy grows from the ground up.

Successive federal governments have established a foundation for this conversation over the years with many initiatives of which you are well aware—for example, through the permanent and indexed federal gas tax fund and the 100% GST rebate for municipalities. Budget 2019 is an opportunity to grow and build on these highly effective programs.

The right solution could bring us closer to addressing the outdated fiscal framework, such as expanding on a predictable source of funding—predictable, dependable and sustainable like the gas tax fund—for local infrastructure such as roads and bridges.

Of course, core infrastructure, which we talk about a lot, is only part of the equation. We, collectively, just worked together on a transformational allocation-based funding plan that we recognize as a step in the right direction for the next decade of public transit expansions nationwide. Now is the time to build on that with a permanent funding mechanism for public transit.

Canada's economic future depends on vibrant cities with world-class mass transit that moves families and workers from home to school, to their office and back home again. The federal government has recognized and knows that it has a critical role to play in getting this right. With a permanent funding mechanism, cities will be able to plan over 20 and 30 years, driving major improvements in local congestion and national productivity.

I will just interject that FCM has done some amazing work with Abacus Data on what Canada will look like in 2040, and that is the type of funding that's required to make that vision a reality.

Of course, as we know, much too often climate adaptation and disaster mitigation are another priority for both orders of government. We've seen recently, again, extreme weather events costing money, closing businesses and putting families out of their homes. Our communities and this country need to be prepared when confronted with extreme weather. Getting ready could mean a targeted program such as the existing disaster mitigation and adaptation fund delivered by Infrastructure Canada, but this type of challenge will best be addressed for the future by reforming the underlying fiscal framework.

It is time also for much bolder federal leadership to achieve universal, reliable broadband Internet access in this country. I just talked to our colleague from the northwest. Communities from across Canada, small, remote and rural, call FCM all the time to talk to us about the need to have this major priority addressed. It should be a national imperative.

Without reliable connectivity, small businesses cannot grow, cannot link to the supply chain and cannot open new markets to new customers. Without connectivity from coast to coast, Canada will struggle to attract employers to regions where they are most needed. With strong federal leadership in budget 2019, we believe an investment of at least $400 million per year over 10 years in broadband and mobile connectivity can spark the transformational shift that Canadians and businesses need to thrive in a globally competitive economy.

● (0910)

Mr. Chair, we at FCM and our more than 2,000 members across the country, as I have stated, are extremely optimistic for our future.

In closing, as we also know, there is in fact an important debate happening across Canada about the role and autonomy of municipalities. The conversation about that is long overdue. This is the time to discuss a new federal-municipal partnership to achieve those objectives that we share and, together, to build tomorrow's Canada.

On behalf of our president, Vicki-May Hamm, who couldn't be here today, our board of directors and all of our members, again I say thank you for having us here today to share our vision.

Thank you, Mr. Chair.

● (0915)

The Chair: Thank you, Bill.

We now go to Ms. Sullivan, CEO, Food and Beverage Canada.

Welcome, Kathleen.

Ms. Kathleen Sullivan (Chief Executive Officer, Food and Beverage Canada): Thank you.

Good morning. I'm Kathleen Sullivan, CEO of Food and Beverage Canada. I thank you for the opportunity to be here today. I'll try to keep my remarks brief; I know you'll want to get on to questioning all the witnesses.

Food and Beverage Canada, or FBC, is a national industry association that represents food and beverage manufacturers across Canada. Our members don't just sell food and beverage products in Canada; we invest in Canada. We create jobs in Canada. We contribute to Canada's economic growth and competitiveness every single day.

FBC provided a written brief to this committee as part of your pre-budget consultations. We also just recently provided extensive comments to Treasury Board as part of the federal government's budget 2018 regulatory modernization initiative. It my remarks today, I really want to focus on just a few of the comments we made, and one in particular.

To begin, I would like to note that our industry was very pleased when the federal government identified agri-food as one of its five priority sectors in both budget 2017 and budget 2018. It is important, though, to remember that agri-food is a very broad term and embraces several different sectors, including primary agriculture, food and beverage manufacturing, and aquaculture. Each of these sectors is distinct. Each of these sectors has its own unique challenges. All of these sectors, if we want them to achieve their full potential, are going to require supports that recognize their respective realities.

The industry I represent has very strong links to primary agriculture here in Canada, obviously, but we are first and foremost a manufacturing sector. We are, in fact—which is surprising to many people—the largest manufacturing sector in Canada in terms of contribution to GDP and also in terms of employment. We are also the second-largest manufacturing sector in Canada in terms of the value of our production.

To give you an example, in 2016 our shipments were worth more than $112 billion. We employed a quarter of a million people. That is more than the auto and aerospace industries combined.

While Canadian food and beverage manufacturing output is growing, we have great concerns that our sector is falling short of its potential. Of great concern to us is that Canadian food and beverage manufacturing companies are actually seeing a decline in investment in research and development, and a decline in investment in equipment. In addition, Canada has fallen from third place to fifth place, compared to our global competitors, in terms of the value of our agri-food exports.

We think it is possible for the Canadian food and beverage manufacturing industry to reach its potential. We share the government's optimism about this sector. To achieve our potential, though, we are going to have to work together to tackle some of the issues that are limiting or that, conversely, could in fact support our competitiveness.

We are particularly interested in the work of the agri-food economic strategy table. That's the main point I want to make here. The strategy table has been working for some time to develop recommendations to support competitiveness and economic growth in the broader agri-food sector. Their report, released earlier this week, focuses on five key policy areas: regulation, market development, innovation, labour and transportation. We cannot let this report languish. The report calls on the food and beverage manufacturing sector to increase its production, its output, by 30% over the next seven years. That will not happen simply on its own.

We are therefore encouraging the government to immediately establish a joint industry-government advisory committee to review the report of the agri-food economic strategy table, particularly, in our case, from the perspective of food and beverage manufacturers. We think the advisory committee should be given a mandate to establish objectives and identify key policies, essentially to create a strategy that will drive this industry toward the competitiveness goals in the next seven years. We think that this advisory committee should be formed now so it can come up with recommendations that can be inserted into budget 2019.

I have just a few other brief comments. In the submission we have made to you and also to Treasury Board Secretariat, we make the point that we think we need to adopt a whole-of-government approach to competitiveness. That's a term we throw around a lot. I think in some cases it may have lost its meaning. Government is complex. We really need to put in place mechanisms that bridge different departments if we're going to solve issues.

● (0920)

Labour, for example, is a critical issue that my colleague has already raised. We fall under the jurisdiction of Agriculture Canada, but labour issues fall under the labour department. They fall under the immigration department. They fall under Service Canada, which delivers many of these programs. Unless we really start to put mechanisms in place to bridge across these different departments, we will never resolve the barriers that are preventing us from achieving our potential, and we will never fulfill the objectives that the economic strategy table laid forward this week.

With that, I'll conclude my remarks. I look forward to any questions you might have.

Thank you.

The Chair: You wouldn't be saying that departments in Ottawa operate in silos, would you?

Ms. Kathleen Sullivan: You know, I do want to clarify this. The ministers are given very specific mandates. I believe we have a very strong force and very loyal public servants here in Ottawa and across the country who really focus on fulfilling the mandates their ministers have been given. I challenge higher levels of government —the Prime Minister and his incredibly competent cabinet—to come together and ensure that the mandates initially given to the ministers are consistent with each other and are actually able to drive the competitiveness goals that we've set.

The Chair: You might not say it, Kathleen, but I will: They operate in silos.

Voices: Oh, oh!

The Chair: We'll turn now to the Nobel Women's Initiative.

Ms. Vincent, welcome.

Ms. Rachel Vincent (Director, Advocacy and Media, Nobel Women's Initiative): Good morning, honourable chair and committee members and my fellow witnesses.

Thank you for this opportunity. On a purely personal note, I spend much of my time travelling to conflict countries, where most citizens don't have this opportunity to bear witness to a committee that is putting together a federal budget, so thank you for the work you do. It's extremely important, and we don't take it for granted here.

The Nobel Women's Initiative is a collaboration of six women who are Nobel peace laureates—I am not one. The organization uses the prestige of the Nobel Peace Prize to increase the visibility and power of women human rights defenders and women's movements working globally to bring about greater security and peace.

We work from the starting point that change happens from the ground up, and that to bring about more secure societies and sustainable economic change, we must support those doing the work on the ground. That is why we support Syrian women working to influence the peace process to end Syria's long and devastating war. We support Rohingya women working to end the war on their communities in Myanmar, and bring sorely needed help to refugee women in the Bangladeshi refugee camps. We support women in Guatemala working to bring an end to rampant corruption and human rights abuses, and women on the front lines in Asia and the Pacific working to mitigate the devastating impacts of climate change.

Today we are here to present you with one primary recommendation, and that is to invest boldly in women's rights organizations as part of Canada's international aid assistance, particularly direct aid to grassroots groups. We recommend an investment of $220 million per year over 10 years going directly to grassroots women's organizations.

We strongly believe that one of the primary ways Canada can help end war and conflict around the world and contribute to greater security and economic prosperity is to invest in such groups. We believe this is not ideological, but backed up by the latest and most compelling evidence from a range of sources, including the World Bank and academics like Valerie Hudson, professor and George H. W. Bush chair in the department of international affairs of the Bush School of Government and Public Service at Texas A&M University. The research she and many other researchers have done very clearly shows that the best predictor of a state's stability and security is the level of violence against women in a society. I think you all know and appreciate this, but it's important to remind ourselves of this.

Let me say this in another way. The larger the gender gap, the more likely nation states are to be involved in conflict and to use violence first in that conflict to resolve problems. The research also shows that the higher the gender gap is, the worse the relations with neighbours are. Focusing on the economy, the research shows that the larger the gender gap is, the lower the per capita of a nation state and the level of economic growth are, which is the concern of this committee.

Let's bring this back to grassroots women's organizations. Over a decade at Nobel Women, we have documented the very deep capacity of grassroots, small and national women's organizations working with quite meagre resources to broker local peace agreements, respond to crises with front-line services for communities, effectively lobby for legislation that reduces gun violence and successfully work with boys and men to prevent them from falling prey to extremist and violent ideologies that fuel so many of today's conflicts.

If grassroots women's organizations can do this with meagre resources, imagine what they could do with larger and more concerted investments. An investment of $220 million per year over the next 10 years is less than Canada's previous commitment on maternal, child and newborn health, and yet literally it will make a world of difference. This recommendation is very much in line with the excellent recommendation from the House Standing Committee on Foreign Affairs and International Development in its landmark 2016 study on women, peace and security. It also builds on the 2017 announcement of the women's voice and leadership initiative, and our government's current investments in peace and security.

In conclusion, Canada is doing important work to build peace and security around the globe, but it is imperative at this time in history that we do more. Having just come back from New York and the UN General Assembly, I can tell you that we are all looking to Canada for more leadership at this critical time.

● (0925)

Today, in this committee, I ask for your leadership. Supporting women's organizations and women's movements is a concrete and very cost-effective way to end conflict and build more peaceful, economic, viable societies.

Thank you for your work.

The Chair: Thank you very much, Rachel.

I thank all of you for your presentations. We have a pretty diverse group this morning.

Mr. Fragiskatos, go ahead.

Mr. Peter Fragiskatos (London North Centre, Lib.): Thank you, Mr. Chair.

Thank you to the witnesses for—

The Chair: Peter, hold on for one second. Is everyone okay if we go until 10:30? Does anyone have a serious commitment between 10:15 and 10:30?

Mr. Phil McColeman (Brantford—Brant, CPC): I have a 10:15 commitment myself, but that's okay.

The Chair: We'll go until 10:30. Otherwise we can't go for the seven minutes.

Go ahead, Mr. Fragiskatos.

Mr. Peter Fragiskatos: Thank you, Mr. Chair.

Thank you to the witnesses for their presentations.

My first question goes to CMC Microsystems. Mr. Harling, we've heard twice this week—granted, from colleges—on AI and where we're going as a society. I think the concerns are more widespread than what colleges have expressed to us. It's this whole concern about the link between automation and job losses.

I know there are varying views on this. There is a 2013 Oxford study, as I'm sure you know, which said that 47% of current jobs in industrialized societies, such as Canada and others, are at risk of being lost because of automation. There was a very different study done by the OECD, released just a few months ago, which said that the number is probably closer to 10%. Whether the number is 47% or 10%, that's still a lot of jobs at stake.

I'm still trying to make up my mind, to be honest. Do you have a view on automation and what it could mean for the economy—good, bad, or somewhere in between?

Mr. Gordon Harling: I have personal views, and I have CMC views.

I'll delve into the personal. I think what we automate are the jobs that are dangerous, boring, uncreative and so on. What we're creating in our system is more and more creativity. We're increasing the productivity of the Canadian worker. In making it easier for us to produce more in less time, we'll reduce the work week and do more creative things.

We'll be able to re-vector folks. Maybe accounting is going to go away in 20 years because it will all be automated, but those accountants will find other things to do. It's really about retraining.

Do you think many people today keep the same job for their entire career? When I look at your bios, almost none of you have.

● (0930)

Mr. Peter Fragiskatos: We have four years, and then we have to prove it again.

I asked the question because your brief calls on the federal government to invest further in AI, and robotics specifically, so I think it makes sense to put it on the table.

Mr. Gordon Harling: Yes, certainly.

However, for every line manufacturing job that we take away, we create more jobs in coding and developing, and in improving people's lives and productivity.

Mr. Peter Fragiskatos: I appreciate that.

To the Nobel Women's Initiative, I know very well the study you talked about, the study that the foreign affairs committee put forward, because I had the honour of serving on that committee at that time.

I was quite interested in everything you had to say, particularly the link between involving women and building stable, peaceful societies. I think you and I have spoken in the past about that specific link.

I am glad you said that your arguments are not ideological; they're based on evidence. I am thinking specifically of the evidence that ties stability and long-term peace in post-conflict societies, and the idea that women are involved in the peace process to get to that outcome. Can you speak about that?

In your brief, you call for investment in women's organizations. I'm glad you also mentioned in your brief that the federal government has contributed $1.5 billion over five years as part of the feminist international assistance policy. There is always more that can be done, and this ought to be a fundamental focus of our development policy writ large.

I wonder if you can speak specifically about the tie between peace and involving women.

Ms. Rachel Vincent: Thank you very much. Thank you for the work on that study. It's an important contribution globally.

Yes, I'm going to give a specific response to your question. When we look at a post-conflict setting, such as Liberia or the Democratic Republic of the Congo, there is a tendency in aid development funding—and this is normal—to fund the most urgent and pressing concern. Humanitarian aid is particularly focused on refugees and the most pressing needs of the moment.

However, the evidence shows that in terms of building lasting peace, you really need long-term investment, core investment, and that the actors who are most capable of sustaining peace and bringing about peace accords, for example, are local actors. This is not something that outside groups can come in and do for a society. It is something that here in Canada we do for ourselves, and groups in conflict countries must do that for themselves as well.

If you look at Liberia, which signed a peace accord in the early 2000s but is now slowly going back to some violence, it's really in part because investments have gone to other places. This is a danger in not sustaining funding to local groups that are actually working on long-term peace and sustainability issues.

Mr. Peter Fragiskatos: I hate to interrupt you, but I have only a couple of minutes left.

I want to ask you specifically.... In your brief, you call for funding to flow directly to women's organizations. Inevitably, you'll hear concerns about accountability and how we can ensure that the monies that flow are properly accounted for. I'm not terribly sympathetic to the concern, but I think you can probably articulate it better than I could. What's your answer to that?

Ms. Rachel Vincent: I think that accountability for all of the money that we as a government spend, not just on women's organizations, is a concern. I think we'll find that Global Affairs Canada is looking at this issue closely in partnership with civil society to figure out systems that are flexible and responsive to the needs of smaller groups.

My organization is small. It's hard for us to keep up with the reporting and the accountability back to government funders, because they're quite demanding. However, with assistance we're able to do so. That is the same sort of system we're hoping, in partnership with Global Affairs Canada and other agencies, to be able to provide to smaller groups. They are capable of it. They need some extra support, and that's part of the system that needs to change to enable these groups to deliver on the promises and the vision for peace.

● (0935)

Mr. Peter Fragiskatos: The capability aspect, I think, is really important. We forget that these organizations have found a way to thrive in the most difficult of circumstances. I mentioned the foreign affairs committee. We went, as I think you know, to Colombia and to Guatemala. We saw women's organizations, particularly those funded by the federal government—this government and governments in the past—thriving, doing extremely well and being accountable along the way, showing exactly where the dollars were going and how they were being spent. It was really inspiring to see.

Thank you very much for your work.

I think I'm at seven minutes now, Mr. Chair.

The Chair: You are. You're right on.

Ms. Rachel Vincent: I will just say that I think Peter articulates it much better than I do. Thank you.

The Chair: Thank you.

Mr. McColeman, go ahead.

Mr. Phil McColeman: Thank you, witnesses, for being here.

Mr. Bourque, in your comments you mentioned three words, which I wrote down—about the affordability of real estate, the first-time homebuyer tax credit and looking to adapt to the realities of the marketplace in terms of the value of houses, and regulations that are having a large impact on the price of housing. I want to ask you some questions and get your response to them.

Recently, the Canadian Home Builders' Association did studies about the cost of a new home. A new build, of course, has a ripple effect into the resale market, because the resale market adjusts according to the new home prices. These studies have shown that, when the keys are handed from the builder or the developer to the consumer, fully 35% of the price of a new home in some markets, and as high as 45% in other markets across this country, is imposed government costs for regulations, development charges, and taxation by all three levels of government: federal, provincial and municipal. If you broke it down in a pie chart, those things would represent 35% to 45% of the price of that house.

When you hear about that kind of percentage, which is the government's take before we talk about the purchase of the land, the land cost, putting the pipe into the ground, putting the pavement on the roads, the materials for the house, the labour for the house, and the profit margin of everybody who supplies services in that supply chain, how do you react to that?

Mr. Michael Bourque: We could talk all afternoon about it, but let me just pick up on a couple of points.

First of all, those are the right numbers. In fact, there was another study done, if you don't want to believe the Home Builders. There was an independent study done recently that looked at the costs of regulation for new homes. In Vancouver, the regulatory costs amounted to an average of $600,000 added to the price of a new home. In Toronto, it was $160,000. There's no question that these regulatory costs, whether it's red tape, whether it's charges....

For example, until I read this study and spoke to the author, I didn't realize that one of the things municipalities will do with developers is ask them to pay the full cost up front for infrastructure charges when in fact no municipalities or other governments do that themselves; they amortize it over a certain number of years. Asking a developer to incur the full cost of those charges leaves that company with one choice, which is to pass on those costs to the consumer. That's why the price of homes is so high, and that leads to a lower supply of new homes.

Mr. Phil McColeman: Thank you for sharing those facts because —full disclosure—I was in that business for 25 years. Before you can even put a shovel into the ground, you have to walk into the local engineering and building department and put down whatever the development charge is on that lot. That's before you even start the process, so there are also the financing costs that I forgot to mention in terms of what developers do.

It seems to me that as I've watched this situation of affordability unfold across the country.... We talk about affordability and first-time home buyers. If we could reduce that down to, say, 25% or 20% where we've seen the biggest growth, it's in the development charges. Development charges now range in my community of 100,000 people around $32,000 a door. If it's an apartment building, it's every door in the building. If it's a new home, that's a door.

We definitely need the infrastructure. People don't mind paying their fair share, but people around the municipal level seem to think that this is coming out of the builder's skin or the developer's skin, that somehow they're absorbing those costs. Do you know why? It's because they're making too much money. They're rich guys, right? That's the perception. Do you see that perception at a municipal level in your part of the real estate industry?

In fact, at the end of the day, do you know who pays for it? The person who's buying the house.

● (0940)

Mr. Michael Bourque: You do get a bit of that. There's a pretty active discussion in the Vancouver municipal election right now around that.

From our perspective, I think the important thing is that the whole real estate market is a spectrum. Whether you're talking about new entrants to the market or more mature and higher-priced properties, the fact is that the supply of new homes is a very important part of ensuring that everybody has a place to live.

If I can, I'll use my own example. I'm sure it's familiar to most people in this room. After I moved out of my parents' house, I found an apartment. It wasn't very expensive; it had rent control for many years. Then, when I could afford to buy a new home, having saved up and found a full-time job, I did that. That apartment went to somebody else who maybe was moving out of their parents' basement or who needed a two-bedroom apartment.

My point, Mr. Chair, is simply that the supply is a spectrum. We need to make sure that there is new building coming on stream because it affects people at all parts of the spectrum.

Mr. Phil McColeman: Can I have one more?

The Chair: We do have the municipalities here if they want to get into this discussion as well, but you can have one quick question.

Mr. Phil McColeman: My time is limited. I would love to hear Mr. Karsten weigh in on this question somewhere down the road—

Mr. Bill Karsten: Thank you.

Mr. Phil McColeman: —but I'm not going to go to you, Mr. Karsten. I want to go to Madam Lee.

You mentioned that no Canadians really want to work at farm jobs. Can you give me your understanding of why that situation exists when many people are healthy, strong and long-term Canadians...? Thirty-five per cent of my area of the world is in agriculture, and we run into the same things. People don't want to take the jobs. Therefore, we need to have a temporary foreign worker program to supply those jobs. Can you weigh in on why they don't want to do these jobs?

Dr. Rebecca Lee: Certainly. To a great extent, in the horticultural area particularly, a lot of the jobs are seasonal. Canadians want full-time, year-round jobs. They also want jobs that are more on a 9-to-5 basis and maybe not a 15-hour day sometimes and a four-hour day at other times. It's the consistency and the ability to have income throughout the year that is mainly the disincentive for Canadians, but it's also the very hard work that farming entails. As I say, they prefer the 9-to-5 or 8-to-4 type of job.

The Chair: Okay. We'll turn to Mr. Julian.

Mr. Peter Julian (New Westminster—Burnaby, NDP): Thank you, Mr. Chair.

Thanks to our witnesses. You've provided a lot of food for thought today.

I'd like to start with you, Ms. Vincent, and thank you for being here.

I think what I've taken from your comments is that a feminist foreign policy is only a feminist foreign policy if there are resources put in place to support it. It looks to me as if the federal government is currently shortchanging women's rights organizations by about 90¢ on the dollar, providing $30 million a year when we should be providing over $200 million a year.

If we're putting this in our pre-budget report, can you explain in just a minute or two what a difference that would make if we actually had the funding that's required, $220 million a year? What would we see as a result of funding those women's rights organizations?

Ms. Rachel Vincent: I think you'd see some clear outcomes and a moving of the marker in terms of peace and security globally.

The evidence is clear. For example, when women participate in the formulation of peace accords, they last substantially longer. In other words, they stick longer and have more impact when women are involved. That's just one small example. There are outcomes that are very clearly correlated to the amount of investment. The average women's rights organization in the world is operating on less than $20,000 a year in terms of an operating budget. Imagine doing all that work with less than $20,000 a year. I think it's very clear that the only way to go is the other way, which is to increase investment.

● (0945)

Mr. Peter Julian: Thank you very much for that.

I would like to go on to Mr. Karsten. Thank you very much for appearing before the committee.

I'd like to start with bigger issues around extreme weather, which you mentioned.

We know that the federal government currently owes about $2 billion to the provinces and to municipalities for funding that has been provided under the disaster financial assistance arrangement. It's an ongoing issue, that as we have more extreme weather events, the federal government seems more and more reluctant to actually reimburse municipalities and provinces for all of the damages that are caused by climate change. There's also the issue of the infrastructure deficit.

Can you comment on the necessity for the federal government to be responsible in terms of funding municipalities for extreme weather events and the cleanup that is required, and also the federal government's responsibility to meet the challenges of the increasing infrastructure deficit that we're seeing in this country?

Mr. Bill Karsten: Thank you very much, Mr. Julian, for that question.

As I mentioned in my comments, this is a reality that we're facing throughout the country. Those who doubt climate change is a reality need to do a really serious review of where they are.

It's twofold. One is making sure the costs are covered, but when we talk in terms of climate change, we also need funding to adapt our communities for the future. I watched a great documentary on *60 Minutes* just a week ago that had a few gentlemen from the Netherlands talk about not rebuilding after a disaster the way it was before the disaster happened, but taking some positive steps to rebuild your communities so they can be resilient for any future catastrophes. That's the type of funding I think we're talking about as well: to adapt to future requirements, as opposed to just fixing what we have, which is a vital part of the funding, to make sure that communities can rebuild after their infrastructure is ruined.

Mr. Peter Julian: Do you have a calculation—maybe Mr. Rubinstein might have as well—of the current infrastructure deficit that exists in the country? The FCM has been very good, I think, of reminding governments that we're increasingly in the hole in terms of keeping up to date with the infrastructure that we require as a modern nation.

Mr. Daniel Rubinstein (Director, Policy and Research, Federation of Canadian Municipalities): For sure. You're right that we've done that. One of our most recent efforts was to do an infrastructure report card survey with some other private sector partners on the condition of our assets. We know that the level of investment we're putting into our local infrastructure isn't sufficient. That's part of why we're here talking about that broader picture in terms of fiscal tools to support that.

On adaptation itself, we know the level of investment that's on the table right now. The federal disaster mitigation fund is $2 billion over 10 years. We know that this level of funding isn't commensurate with the kind of need there. We're doing research internally to put a number on that. There's lots of room here to improve and make our infrastructure more resilient ahead of disasters.

Mr. Peter Julian: I'm trying to dig into the figure. A few years ago, our infrastructure deficit was $120 billion in Canada. What is it now?

Mr. Daniel Rubinstein: We haven't undertaken a repeat exercise like that to give an updated figure. We felt that the more helpful way was to look at the condition of our existing assets as we move forward. We published that infrastructure report card in 2016. Statistics Canada, with federal funding, is now doing a similar exercise on a rolling basis. That has just started. That's the core public infrastructure survey.

When it comes to new assets, new areas of need, we do undertake research to do that. We don't have a number to share today on the adaptation piece, but it's something that's a priority for us.

Mr. Peter Julian: Would it be fair to say that the infrastructure deficit has increased?

Mr. Daniel Rubinstein: We have a combination of existing assets, and programs like the gas tax fund and the investing in Canada plan are helping to address those. I think it's fair to say, especially when you're talking about disaster mitigation adaptation, that the needs are only growing in terms of how we need to tackle that.

You talked about the DFAA program. It has a cap of 15% on "building back better" with money that the federal government disburses. That's the kind of thing we need to change, going forward, to tackle that particular deficit.

● (0950)

Mr. Peter Julian: Okay. I'll stop questioning on that, but I think it would be helpful to see any internal figures from the FCM that indicate how we have progressed over the last five years. I assume, from what you're saying, that the needs are much greater than they were even five years ago. It would be helpful, I think, for the committee to have that information. When you get back to the office, if you have some figures to dig out for us, that would be helpful.

My final question is about housing.

In my riding, in my community of Burnaby, we have people who will be homeless within three days, people who are desperately searching for housing. How important is it for the federal government to be investing now, to be building affordable housing units now, whether that's co-op housing or social housing?

Mr. Bill Karsten: We talked briefly about how with the national housing strategy that was in fact released by the federal government, approved last November, there's just a real transformational change in this country as well to be able to have that. I was very pleased with the May announcement this year on the funding, which is rolling, but more money is needed, certainly for repairs. We stressed that in our proposal.

The money needs to flow for all aspects of the national housing strategy. It's something that certainly we've had great conversations about, going back. Mike Layton has talked about it. I've talked on many occasions here to other members of Parliament. It's just great to be at a point where we have the strategy. Now we need the funds to continue to flow.

The Chair: Thank you.

Mr. Sorbara is next.

Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.): Thank you, Mr. Chair.

Welcome, everybody. Good morning. I'll try to get to a few of you here.

To the FCM, thank you for your presentation. I would like to read one of the sentences from it:

> The government has delivered historic levels of investment and engaged in unprecedented dialogue with local governments. The past three budgets have forged new tools like the Investing in Canada Plan and the National Housing Strategy, and municipalities are delivering transformative outcomes for Canadians with these new investments.

I take that to mean that PTIF 1, the public transit infrastructure fund, and now PTIF 2 are working well for municipalities, and the relationship between the federal government that I'm part of and the municipalities is constructive and working well for Canadians. Is that correct?

Mr. Bill Karsten: That is correct.

Mr. Francesco Sorbara: Okay. Secondly—

Mr. Bill Karsten: I'm a municipal councillor, so I found it very hard to answer with one sentence, but that is correct.

Voices: Oh, oh!

Mr. Francesco Sorbara: No, no, you can elaborate for another 15 seconds, if you wish.

Mr. Bill Karsten: It's very accurate. We are at a time when.... This is successive governments, I have to say. It's an evolution to where the FCM is very pleased and proud of the relationship we've had with governments. The recommendations we make are based on sound financial policy-making at our staff level. Certainly the amount of money, the $81 billion over 11 years, is huge, but we are here today, as we noted in the remarks, to talk about a conversation that needs to be had, a mature conversation about how that fiscal framework can work for us better in the future.

Mr. Francesco Sorbara: Yes, absolutely. Part of the city of Vaughan is in the riding that I have the privilege to represent. The gas tax funding delivered approximately $8 million to the entire city. That's one mechanism whereby dollars go directly to the city, which is great, and we need to look at other mechanisms as well.

Going over to CREA, our government has put in place, along with some of the arm's-length agencies, macro prudential measures, as we'll call them, to ensure that the quality of debt that Canadians are taking on is good debt and that we're not seeing over-leveraging. If you read some of the Bank of Canada reports, which I like to do on occasion, you'll see that the quality of that debt—the FICO score, as they call it, the credit score—is improving. We don't want to get in a situation of moral hazard, if I can call it that.

I think we've done the right things in terms of housing markets on the federal level. We all know—Mr. McColeman knows this quite well—that there are four levels of government in some places, because you have the regional level of government, municipal and provincial, and the housing market is complex. There are things that we can do at the federal level and could look at.

If you wanted to rank at the federal level.... I'm not talking about development charges or the availability of land, because those are decided at different levels of government, but at the federal level, are there one or two key things that you think would be most constructive for housing affordability?

● (0955)

Mr. Michael Bourque: Yes, and you're right that regulations are right across the board, but if I can focus on federal government and in particular on the stress test, I agree with you 100% that the measure was required. If you speak to members of our industry, particularly in Toronto and Vancouver, they will agree with you, because they felt first-hand the impact of a really superheated market, and they're happy with the result that has occurred.

Unfortunately, because of the urgency with which that was brought in, and perhaps the level of coordination with which that was brought in between the various agencies—OSFI, Bank of Canada, Finance Canada—they weren't really too sure exactly how it would work, and they're probably pleased with how it's worked.

What we're pointing out now is that there are unintended consequences in markets that were not out of balance. That's where it can help—

Mr. Francesco Sorbara: I'm going to stop you there, because I have one more question, if I may, Chair.

A house is a family's largest investment, and we have a home ownership rate right around 69% or 68%, I believe it is. We have a very strong housing market, and we need to keep it there.

To CMC Microsystems, in our past budget reports, we've commented about the Naylor report and how transformative that report and its recommendations are. Our government has put in, in prior budgets, investments in fundamental research and basic research.

You commented this morning about how the Naylor report is a good road map for the government to follow. Can you elaborate on your comments? I think your presentation is insightful this morning.

Mr. Gordon Harling: Yes, clearly much of the Naylor report really talks about funding a lot of basic science, but it's the applied science that we work with most often, taking laboratory results and turning them into products, turning them into commercially viable inventions and innovations. That's where we think it really hit the nail on the head. We're very keen.

It also had a lot of recommendations about major science initiatives in Canada and about the funding levels and the methodologies that I think were very positive for us.

Mr. Francesco Sorbara: Thank you, Chair.

The Chair: We'll stop it there.

Mr. Richards, we're down to five-minute rounds.

Mr. Blake Richards (Banff—Airdrie, CPC): Thanks.

I'll start with the Real Estate Association and go back to the stress test. I guess, really, when you look at the effect it has had, in combination with some of the other changes that were made, it made it more difficult, particularly for first-time or young buyers, to be able to even save a down payment and get into the market. The stress test has added to that.

I saw recently an article, I think last week, in The Huffington Post that talked about some of the other unintended consequences, besides the ones you've mentioned, which are the effects on other markets outside of Toronto and Vancouver. I've seen very significantly in my area, the Calgary area, the impact that has had on people in this difficult time that we're facing there, when maybe they're trying to downsize into a smaller home so they can find a way out, but they can't do it because the value of their home has dropped and it just isn't something that makes any sense to do. It's really having an impact on a lot of families.

However, the other impact we've seen, according to that article, is that the number of mortgages being issued to those between the ages of 73 and 93 in the first quarter of this year jumped by 63%. That doesn't even include reverse mortgages. That doesn't even include HELOCs, so those numbers are probably even higher. At the same time, we saw the number of mortgages issued to millennials fall by 19% and the number to Generation Z by 22%. You can obviously see what's happening there. What we're seeing is that people are going to parents or grandparents and saying, "Help me out here, because I can't do this anymore."

We also had the Home Builders' Association here a couple of weeks ago, and they were telling us that what they think they've seen is people aren't getting mortgages. The goal here was supposed to be to make sure people weren't getting into debt they couldn't afford, but what they're doing instead is just going and buying a fancy new vehicle because they're going to rent instead.

Have you seen those types of consequences as well, and is this policy really going to have any impact on those types of issues when what we're seeing instead is this type of increase in mortgages amongst people in the older generations who are trying to help out the younger generations, or people taking on other types of consumer debt that certainly doesn't have the enduring value that investment in a home would?

● (1000)

Mr. Michael Bourque: It's interesting. In a study that we just completed, when we asked millennials about, for example, the extension of the home buyers' plan so they could borrow from their parents' RSP, it was much less popular than the idea we presented today, which was to increase the tax credit.

The reason is that they don't want to take their parents' money if they don't have to, but certainly intergenerational support for home purchasing has been around for a long time. There's nothing wrong with it. However, to your point, in places such as Calgary where the economy is already pretty difficult, the stress test has had a very significant impact in that market.

We believe there are ways that the government agencies that are involved in this could calibrate the stress test so that it is still highly functional in those markets that are out of balance, such as Vancouver and Toronto, but would not be so punishing to places such as Calgary and Regina.

Mr. Blake Richards: Thank you.

Hopefully I'll have time to get to a couple more witnesses here.

I guess it will only be one. I'll go to the FCM. I had some questions for Food and Beverage Canada, but we'll have to save that for after the meeting.

I've had a lot of concerns from a lot of municipalities in my area about the marijuana legalization and the impacts that are being downloaded on them. They're confused about what they're supposed to do, and more importantly, they're not sure how the heck they're going to pay for the consequences. Is this something that you're hearing right across the country, and what are your thoughts on that?

Mr. Bill Karsten: Thank you very much for that question. It's a question I ask myself every day in terms of how to better address the needs of municipalities across the country.

From day one, FCM did mention that we're willing partners with the federal government that is going to pass this legislation into law in October to deliver to our residents the cannabis regime, as long as it's done safely, effectively and with no cost to the municipalities. The federal government, I do believe, did its part by stepping up in December of last year and changing the initial formula on the excise gas tax from a 50:50 ratio between the province and the feds to 75:25.

The Prime Minister has been very adamant in budget 2018, and in subsequent occasions when I've had the honour of meeting with him in Halifax at the FCM conference, that the 25% and more, if necessary, was meant to run through to municipalities to cover our costs. The costs are real, and the arrangement is such that now only two provinces in Canada signed or even verbalized agreements with municipalities as to how those costs are going to be covered. In Halifax we have the concern on a weekly basis. We're passing new bylaws, we're spending staff time, and there is frustration in trying to procure that money, and on many occasions—I say respectfully—it's falling on deaf ears at the provincial level.

This is again a great example of why, collectively, we need to be together and talk about a mature and modern mechanism and framework for fiscal policy, because the current model as far as our getting the 25% is concerned is that we have to knock on the doors harder to get in.

The Chair: Thank you all.

● (1005)

Mr. Bill Karsten: Mr. Chair, if I may interject, to remain optimistic, there is an opportunity for the federal government to institute a change, because the excise tax will be reviewed one year after the legislation is in place, so there is an opportunity moving forward.

The Chair: Okay, thank you all.

Before I come across to Mr. Fergus, to Ms. Lee I want to say that the thrust of our pre-budget consultations is how we become more competitive and strengthen our economy, and you mentioned PMRA and CFIA. Both Phil and I have substantial experience with those groups, and you said that they're hindered by lack of resources. My point of view is that we can't continue to spend more and more money. If we give these agencies more resources, they'll hire more managers, which is not what we need. What's the solution without extending more funds to these agencies? I can tell you some horror stories with PMRA, as you know, and CFIA, and I agree fully with your full-picture analysis: They look at their own narrow focus.

I can give you an example. CFIA is trying to close down an operation in Newfoundland where ACOA has just spent $2 million improving the port, and they'll export $200 million worth of seafood out there, but their closest CFIA office now would be 200 miles away. I've never heard tell of anything so stupid in my life.

In any event, how do we do it without spending more money?

Dr. Rebecca Lee: Well, that's a very good question.

I found out yesterday that PMRA is undergoing an evaluation of their re-evaluation process, on which we're very much looking forward to providing input.

The main concern we have from the PMRA perspective, only for the purpose of this discussion, is that there are over 350 pesticides that are up for re-evaluation, and they're not able to keep up with what they have right now. They are lacking data to be able to provide the sufficient scientific basis for decision-making. That has ended up in decisions, from our point of view, that are perhaps made too hastily and not based on science. In part, we think it's because it's a lack of resources. Maybe there are misplaced resources, but it's a lack of resources for the research.

On the other hand, we do know of the Pest Management Centre that has the ability, the know-how, to do a lot of this research that is needed and could feed into the process. They are efficient in their use of resources. They have the data processes in place. If they were provided with additional resources themselves, they would be able to feed into PMRA. Because of their efficiencies in PMC, maybe it would help out PMRA without increasing PMRA's problems.

There is a lack of resources at some point. It might be an efficient way to feed into PMC, which could then feed into PMRA.

To go beyond your question there, for CFIA, I think they are trying to take a broader look, through the creation of the Canadian Plant Health Council. I am on that council and hopefully will be able to provide some direction from the industry perspective on that. Hopefully, that will also help in having more of an integrated approach to plant health in Canada and bringing the different parts together to avoid the problems like you've mentioned in Newfoundland.

The Chair: Okay. Thank you.

Mr. Fergus, I'm sorry to take some time. Go ahead.

[*Translation*]

Mr. Greg Fergus (Hull—Aylmer, Lib.): No problem, Mr. Chair.

I would like to ask Ms. Lee a question about her recommendation. I would have liked to know what she would have done to ensure that the money went to the right place, if she were minister. I think she did a good job answering the questions about the Pest Management Regulatory Agency.

My question is for the people from the Federation of Canadian Municipalities.

Mr. Karsten, you indicated in your comments that it is important to find a new tool... How exactly did you put it? I will quote your comments in English because I have the English version.

● (1010)

[*English*]

It's "empower municipalities to better serve Canadians through modernized commitments...."

[*Translation*]

Apart from the excise tax on gasoline, which is transferred and is very flexible for municipalities, what other tools do you think should be developed? I would like your answer to be very specific.

Mr. Bill Karsten: Thank you.

[*English*]

Currently, as an example, the transit fund that's in place is predictable, direct. It's another model that has worked. It's sustainable funding that flows directly.

However, I want to be very clear that in looking at what our message is today, it's not coming in at all with a defined "This is how it should work and this is the model."

What we're asking for is to have a very mature, frank, candid discussion between the two levels of government—and this isn't done overnight—through regular meetings, even including the provinces, but specifically through the municipalities with the federal government to have that conversation. What are municipalities going to look like in the future? We have done that work. We're pretty confident that we know what our needs are going to be.

How do we find a new fiscal framework that can be advantageous, not only to municipalities but to help the federal government? That has been our model as well. We try to be partners to deliver what Canadians need at the local level.

It's the conversation that we're looking for a commitment on through this budget process.

[*Translation*]

Mr. Greg Fergus: Thank you very much for your answer.

I'm an MP from Quebec. We know that the municipalities are creatures of the provinces. It is sometimes a little complicated to have these kinds of discussions with them because of that. In Ontario, the premier has just unilaterally changed the number of representatives on Toronto city council.

Is it still realistic to think that a discussion could be held directly with municipalities, which must respect provincial jurisdiction?

[*English*]

Mr. Bill Karsten: Thank you very much.

Number one, we firmly do believe—and again, let me be crystal clear that we're not looking to open up the charter to have that discussion—

[*Translation*]

Mr. Greg Fergus: Mr. Karsten, could you please move your device away from the microphones because it is causing noise for the interpreters.

[*English*]

Mr. Bill Karsten: Let me repeat that we're not looking to open the charter of rights. We have discussed internally and with members of government ways that we can collectively find what a new fiscal framework could and should look like moving forward without doing that.

With regard to the situation in Toronto, which I will be very candid about and address, our board of directors, just two weeks ago at our board meeting, passed a unanimous motion on to discourage any provincial government from using the notwithstanding clause. In our view, that's not what it was intended for, so we've made our position very clear on that.

I hope I've answered that. I have nothing concrete.

Daniel, do you have something to add?

Mr. Daniel Rubinstein: I would just add to Bill's point that the gas tax fund and the bilateral agreements we have on public transit and other assets all flow through the provinces. These are all based on agreements. Obviously we want to see those kinds of agreements designed in a way that promotes the maximum amount of flexibility for our communities. The gas tax fund is very good at addressing core infrastructure. It doesn't address housing. It doesn't address cannabis or policing costs or other local priorities. There's a foundation there that's respectful of the federal-provincial dynamic you're talking about.

● (1015)

The Chair: We'll have to end it there.

Mr. Deltell, welcome back to committee.

Mr. Gérard Deltell (Louis-Saint-Laurent, CPC): Thank you so much, Mr. Chair. I am very pleased to be here today and I'm very pleased to see you again. I can tell you, Mr. Chair, you can ask any question you want, because the quality of the questions is very remarkable.

My friends are very pleased for me to be here—gentlemen and madam—and to be welcomed to your House of Commons.

For sure I want to address one specific issue that is so important for our economy and for the finance department. It is housing. Mr. Bourque gave us some figures, some information that was unfortunately troubling.

[*Translation*]

A year ago, when the Minister of Finance was misguided in launching his wall-to-wall policy on the housing situation in Canada, we raised the flag of concern. Indeed, there was something to be done about big cities like Vancouver and Toronto; we all recognize that. However, just because a policy is applied in Toronto does not mean that it is good for Baie-Comeau.

[*English*]

What we have seen unfortunately with this government is that this stress test, which was quite important for Toronto, was not good for each and every area in Canada. Just because it's good in Toronto doesn't mean it will be good in Baie-Comeau, but unfortunately the government decided to do that. Mr. Bourque gave us some information that is unfortunately disturbing for each and every Canadian, and especially for millennials.

Speaking of that, Mr. Chair, I don't want to get too personal, but I am speaking to you about that today because right now my daughter and her spouse are in the process of buying their first home. I think I'm more excited than they are. For sure it's a great moment for each and every millennial and each and every Canadian to buy their first home, but unfortunately with the stress test imposed by the Liberal government

[*Translation*]

A hundred thousand Canadians had their dreams shattered. One in five Canadians has not been able to buy a home, according to the figures provided by Mr. Bourque.

[*English*]

This is terrible, Mr. Speaker.

My question will be to Mr. Karsten.

As you know, because you are a municipal guy, it's quite important to have new houses, new families, to have millenials buying their first house. What was the impact in each and every municipality in Canada with the stress test imposed by the Canadian government?

Mr. Daniel Rubinstein: This question has got punted over to me. I'm just happy to inform the committee that we, the board of directors for the FCM, have discussed this issue in broader terms. We haven't delved into any sort of community-by-community analysis, but we definitely are supportive of the government doing a robust study of measures that have been put in place for the housing market and to report publicly on impacts and look at that kind of thing.

[*Translation*]

Mr. Gérard Deltell: I'll put the question another way.

When a family moves to a new city or a young couple decides to buy a first home, what is the impact on a municipality of the arrival of this new couple or of this new ownership?

[*English*]

Mr. Daniel Rubinstein: I think our members are absolutely looking at ways that we can deal with the supply issue across the continuum of the housing market, and Mr. Bourque spoke to that need. A big focus for us in particular has been on the affordable and social housing side at FCM, so I can speak to that, and on the importance of having a rental market that is robust. When there's more room there, that's helpful for the sector as a whole, absolutely.

As well as the government, together we need to look at those issues holistically, make sure that all parts of that continuum are being addressed. The national housing strategy addresses one piece. Rental incentives that are in place address this.

Again, as I said, we think it's totally appropriate for the government to do a study and assess more carefully measures that are put in place specifically to target the market.

Mr. Bill Karsten: Thank you again very much.

The reason I hesitate is that some of these policies on a national basis are very hard to combine into a policy that would fit from coast to coast to coast because our municipalities are so unique in each province and territory. As a result, sometimes I hesitate, because at these committee hearings I'm often wearing two hats: one of the national FCM position, and the other of what I would think of as a response from my own local situation in Halifax.

This issue has been on our radar. Certainly because of the conversations being had across the country, we are actually, through our mayor's leadership as well, looking at potentially dropping.... It's not carved in stone, but these are the things within the control of the municipal government. We're looking to at least revisiting whether or not we should charge the transfer tax. That would be a huge help to new homeowners. I know that's been advocated by several associations across the country. The problem with that, of course, is again the fiscal responsibility we have to our taxpayers. If we do that as a drop in revenue, it has to be substituted somewhere.

However, it is on our radar and we're looking at options.

● (1020)

The Chair: Okay, we'll end it there.

We have Mr. McLeod, the last questioner in this panel.

Mr. Michael McLeod (Northwest Territories, Lib.): Thank you, Mr. Chair.

Thank you to all of you for presenting here today.

I want to ask a question to FCM. I have a long history with the organization. I entered politics quite young, as an aboriginal person with the tribal councils. Then, at 22 years old, I became mayor of our community and have been involved ever since. It was because I recognized there was a level of despair in our communities in the north that I took this route. I've been working towards achieving and meeting the Canadian quality of living standards in our communities, and it's an ongoing thing for sure.

The north is quite different from the south. We don't have any communities that are older than probably 60 years. When you come south, you have buildings that are over a hundred years old. You don't find that in the north. Our communities are young. The aboriginal people lived out on the land and only came into communities fairly recently.

When we talk about funding our communities, we really can't talk about one-size-fits-all, because the north is so different. The FCM has really done a lot of good work in that area. When we talked about funding our communities, we partnered with the east coast communities, the jurisdictions that are smaller. We had a lot of things in common. We recognized that per capita doesn't work for us. When the government invests in public transit, well, in all of the Northwest Territories, we may have two buses, so it doesn't really work. We need flexibility when it comes to that.

However, I think a lot of lessons have been learned over the years. Maybe I could get you to talk about some of the things that the north and other smaller jurisdictions need when the government looks at funding, such as base-plus funding. I think that's a good mechanism to use, a good formula to follow.

Could you maybe elaborate on some of the work you have been doing on this?

Mr. Bill Karsten: Sure, I'd love to take that question and give you some background. Daniel, I'm sure, can add to it.

I've been with the Federation of Canadian Municipalities for seven years as a board member, and as we discussed briefly before this committee convened, I am just ecstatic that the influence FCM has had as it relates to rural, remote and northern communities has been on the incline over the last number of years. Not a thing comes before our board that doesn't go under a rural and remote lens to look at policies concerning how it may affect the northern communities as well, so I think that's an important start in recognizing there's a need. Without recognizing that, you can't fulfill what needs to be done.

Mr. Daniel Rubinstein: To expand on your specific question on design elements that work, base-plus per capita funding for broad-based programs like the gas tax fund is 100% where we're at. The clean water and wastewater fund that was part of the phase one infrastructure program adopts that kind of model. That's absolutely critical. We also have northern carveouts and a transportation fund and the broadband fund that exists right now. That's critical.

I'll use the opportunity to underline our encouragement for a much more robust federal commitment on broadband to the tune of—

● (1025)

Mr. Michael McLeod: That's where I wanted to go with my next question.

The CRTC has set a target of 50 megabytes per second, I think it is, for the whole of Canada. In the north we're nowhere near that. In some areas we probably don't even have infrastructure that would allow us to do that. There was a budget of $500 million for remote and northern communities, and I think that gave us a really good jump on Internet service. I'm assuming that's coming to an end, and I'm not sure how much we've accomplished, but is it enough? How much more do we need? What do we need to do to enhance the broadband situation?

Mr. Daniel Rubinstein: This is the top issue that our rural and northern forums on our board talk about. It's really critical. If any of you have been to our conference you will have heard this on the floor from delegates. We see the need to move away from what's been an ad hoc approach, essentially, with very good programs, ones that we've been advocating for on the Hill here before, but essentially we need to move to this longer-term time frame as we've done on transit and housing, away from three- to five-year programs, where ISED and CRTC operate in different silos. The federal government needs to play a leadership role there.

You mentioned the 50/10 targets. They're not mandated standards. Moving to a model of achieving these by a certain date and having them enforced would be a major change. We also know that folks have an interest in fixed broadband, which is particularly applicable in the north, but in the south and rural areas it's about mobile access just as much as it is about your fixed connection. Those are design criteria.

About the dollars, yes, there's a need for more ambition, so we're calling for $400 million a year as a floor, a minimum, to lever monies from the private sector and provinces, and in some cases municipalities, over a long-term period. We think that would be the right starting point for levelled ambition compared to what we're doing right now.

The Chair: Okay. We will have to stop it there.

On behalf of the committee, I want to thank all the witnesses for coming and, again, for your submissions and your direct answers to the questions.

For those committee members who are going on the road, we shall see you in Charlottetown early on Monday morning.

The meeting is adjourned.

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